

# Economics

**Course Description:** *Students will examine the allocation of scarce resources and the economic reasoning used by government agencies and by people as consumers, producers, savers, investors, workers, and voters. Key elements of the course include the study of scarcity, supply and demand, market structures, the role of government, national income determination, money and the role of financial institutions, economic stabilization, and trade. Students will examine the key economic philosophies and economists who have influenced the economies around the world in the past and present. Informational text and primary sources will play an instrumental part of the study of economics where it is appropriate.*

## **Scarcity and Economic Reasoning**

*Students will understand that productive resources are limited; therefore, people cannot have all the goods and services they want. As a result, they must choose some things and give up others.*

- E.1 Define each of the productive resources (natural, human, capital) and explain why they are necessary for the production of goods and services. (E)
- E.2 Explain how consumers and producers confront the condition of scarcity, by making choices that involve opportunity costs and tradeoffs. (E)
- E.3 Identify and explain the broad goals of economic policy such as freedom, efficiency, equity, security, growth, price stability, and full employment. (C, E)
- E.4 Describe how people respond predictably to positive and negative incentives. (C, E)
- E.5 Analyze how interest rates act as an incentive for savers and borrowers. (E)
- E.6 Explain that voluntary exchange occurs when all participating parties expect to gain. (E)
- E.7 Compare and contrast how the various economic systems (traditional, market, command, mixed) try to answer the questions: What to produce? How to produce it? And for whom to produce? (E)
- E.8 Describe how clearly defined and enforced property rights are essential to a market economy. (E)
- E.9 Use a production possibilities curve to explain the concepts of choice, scarcity, opportunity cost, tradeoffs, unemployment, productivity, and growth. (E)

## **Supply and Demand**

*Students will understand the role that supply and demand, prices, and profits play in determining production and distribution in a market economy.*

- E.10 Define supply and demand. (E)
- E.11 Describe the role of buyers and sellers in determining the equilibrium price. (E)

E.12 Describe how prices send signals to buyers and sellers. (E)

E.13 Explain that consumers ultimately determine what is produced in a market economy (consumer sovereignty). (C, E)

E.14 Explain the function of profit in a market economy as an incentive for entrepreneurs to accept the risks of business failure. (C, E)

E.15 Demonstrate how supply and demand determine equilibrium price and quantity in the product, resource, and financial markets, including drawing and reading supply and demand curves. (E)

E.16 Identify factors that cause changes in market supply and demand. (E)

E.17 Demonstrate how changes in supply and demand influence equilibrium price and quantity in the product, resource, and financial markets. (E)

E.18 Demonstrate how government wage and price controls, such as rent controls and minimum wage laws, create shortages and surpluses. (E)

E.19 Use concepts of price elasticity of demand and supply to explain and predict changes in quantity as price changes. (E)

E.20 Explain how financial markets, such as the stock market, channel funds from savers to investors. (E)

### **Market Structures**

*Students will understand the organization and role of business firms and analyze the various types of market structures in the United States economy.*

E.21 Compare and contrast the following forms of business organization: sole proprietorship, partnership, and corporation. (E)

E.22 Identify the three basic ways that firms finance operations (retained earnings, stock issues, and borrowing), and explain the advantages and disadvantages of each. (E)

E.23 Analyze the role of economic institutions, such as labor unions and nonprofit organizations in market economies. (E)

E.24 Identify the basic characteristics of monopoly, oligopoly, monopolistic competition, and pure competition. (H, E)

E.25 Explain how competition among many sellers lowers costs and prices and encourages producers to produce more. (E)

E.26 Demonstrate how firms with market power can determine price and output through marginal analysis. (E)

E.27 Explain ways that firms engage in price and non-price competition. (E)

E.28 Analyze how investment in research and development, equipment and technology, and training of workers increases productivity. (E)

E.29 Describe how the earnings of workers are determined by the market value of the product produced or service provided and workers' productivity. (E)

## **The Role of Government**

*The student will understand the roles of government in a market economy are the provision of public goods and services, redistribution of income, protection of property rights, and resolution of market failures.*

E.30 Explain how government responds to perceived social needs by providing public goods and services. (E, P)

E.31 Describe major revenue and expenditure categories and their respective proportions of local, state, and federal budgets. (E, P)

E.32 Identify laws and regulations adopted in the United States to promote competition among firms. (E, H, P)

E.34 Describe the characteristics of natural monopolies and the purposes of government regulation of these monopolies, such as utilities. (E, P)

E.35 Define progressive, proportional, and regressive taxation. (E, H, P)

E.36 Describe how the costs of government policies may exceed their benefits because social or political goals other than economic efficiency are being pursued (Social Security, Medicare, Earned Income credits). (E, H, P)

E.37 Analyze how changes in federal spending and taxation would affect budget deficits and surpluses and the national debt. (E, P)

E.38 Define and explain fiscal and monetary policy. (E, P)

E.39 Analyze how the government uses taxing and spending decisions (fiscal policy) to promote price stability, full employment, and economic growth. (E, P)

E.40 Analyze how the Federal Reserve uses monetary tools to promote price stability, full employment, and economic growth. (E, P)

## **National Economic Performance**

*Students will understand the means by which economic performance is measured.*

E.41 Define aggregate supply and demand, Gross Domestic Product (GDP), economic growth, unemployment, and inflation. (E)

E.42 Explain how Gross Domestic Product (GDP), economic growth, unemployment, and inflation are calculated. (E)

E.43 Analyze the impact of events in United States history, such as wars and technological developments, on business cycles. (E, H)

E.44 Identify the different causes of inflation, and explain who gains and loses because of inflation. (E)

E.45 Explain that a country's overall level of income, employment, and prices are determined by the individual spending and production decisions of households, firms, and government. (C, E, H, P)

E.46 Illustrate and explain how the relationship between aggregate supply and aggregate demand is an important determinant of the levels of unemployment and inflation in an economy. (E)

### **Money and the Role of Financial Institutions**

*Students will understand the role of money and financial institutions in a market economy.*

E.47 Explain the basic functions of money including its role as a medium of exchange, store of value, unit of account. (E)

E.48 Identify the composition of the money supply of the United States. (E)

E.49 Explain the role of banks and other financial institutions in the economy of the United States. (E)

E.50 Describe the organization and functions of the Federal Reserve System. (E)

### **Trade**

*Students will understand why individuals, businesses, and governments trade goods and services and how trade affects the economies of the world.*

E.51 Explain the benefits of trade among individuals, regions, and countries. (E, G)

E.52 Define and distinguish between absolute and comparative advantage and explain how most trade occurs because of a comparative advantage in the production of a particular good or service. (E, G)

E.53 Define trade barriers, such as quotas and tariffs. (E, G)

E.54 Explain why countries sometimes erect barriers to trade. (E, G, H)

E.55 Explain the difference between balance of trade and balance of payments. (E, G)

E.56 Compare and contrast labor productivity trends in the United States and other developed countries. (E, G)

E.57 Explain how changes in exchange rates impact the purchasing power of people in the United States and other countries. (E, G)

E.58 Evaluate the arguments for and against free trade. (E, H, G)